warner | music | group

Consumer Insights Discussion for FCC

April, 2010

Background

This presentation is in response to the request by FCC Staff to provide a better understanding of music consumers based on research commissioned by Warner Music Group

Agenda

- Music Customer Segmentation
  - Seven consumer segments
  - Segment breakdown by age group
  - Time spent listening vs. music spend by segments

- Consumer Insights
  - Why consumers discontinue P2P use
  - Why consumers pay for music

- Product Strategy to Encourage Purchases

- Final Thoughts & Discussion

Third party research commissioned by WMG indicates we can think about consumers in seven distinct segments

	Traditional listeners			Digital collectors			Pirates
Segments	Infrequent listeners	Radio-centric listeners	CD-centric listeners	Multi-platform casual fans	Mobile listeners	Multi-platform enthusiasts	Pirates
Description	Infrequent traditional listeners who tilt towards radio	Higher TSL listeners, though primarily passive and radio-centric	Higher control, CD-centric listeners	Casual fans who mix listening devices	On-the-go listeners who highly value control	Younger, trend-setting music-obsessed listeners	Avowed pirates who represent a cross section of all control behaviors
% population	28%	23%	6%	15%	5%	10%	13%
	Primarily lean-back		**Primarily lean-forward**				

Source: WMG Consumer Research

Segment profile: Infrequent listeners

Infrequent traditional listeners who tilt towards radio

Demographics:

- Age: ~45 years old
- Gender: 43% male; 57% female

Experience

- Lowest time spent listening group
- Very passive in their listening (listening to terrestrial radio ~60% of the time and CDs ~20% of the time)
- Least technologically-oriented segment ("I'm the last to know about new technology" or "technology confuses me")

Acquisition

- Pay for most of their music acquisitions
- Lowest spending segment
- Feels satisfied with their collection (1K tracks)
- Ownership is least important to this segment

Discovery

- Vast majority discover music primarily via traditional means (AM/FM radio, TV/movies and other traditional platforms)

Segment profile: Radio-centric listeners

Higher time spent listening listeners, though primarily passive and radio-centric

Demographics:

- Age: : ~45 years old
- Gender: 45 % male; 55% female

<u>Experience</u>

- Above average time spent listening
- Most lean-back segment with ~75% of the time to terrestrial radio and ~10% of the time engaged with their CD collections
- Generally indifferent to technology ("technology is not important to me" or "it is not worth the time to learn how to use it")

<u>Acquisition</u>

- Pay for a large share of music acquisitions
- Below average spend annually and collection size (~2K tracks)
- Ownership is only somewhat important

<u>Discovery</u>

- Majority discover music primarily via traditional means, but ~10% frequently do so via social media sites

Segment profile: CD-centric listeners

Higher control, CD-centric listeners

Demographics:

- Age: ~44 years old
- Gender: 40% male; 60% female

Experience

- Average level of time spent listening but very highly engaged and lean forward
- Listen to CDs ~60% of the time and terrestrial radio ~20% of the time
- Satisfied with their technological engagement ("I am happy with the technology I know" and "technology is not important to me")

Acquisition

- Pay for a large share of music acquisitions
- Above average level of spend and average collection size (~2.5K tracks)
- Ownership is very important to this group

Discovery

- Majority primarily discover via traditional means
- Packaging matters: find a meaningful amount of music via "interesting looking displays"

Segment profile: Multi-platform casual fans

Casual fans who mix listening devices

Demographics:

- Age: ~39 years old
- Gender: 53% male; 47% female

<u>Experience</u>

- Below average engagement
- Slightly lean-forward in their listening but choice of platforms largely driven by convenience
- Digitally-oriented with ~70% of time spent in digital formats, but across a highly fragmented list of platforms
- Like to be on the forefront of new technology

<u>Acquisition</u>

- Proud of their music collections (~2.7K tracks)
- Pay for the majority of their music

<u>Discovery</u>

- Though traditional platforms are important for discovery to most of this group, 1/3 of them frequently discover music via social media

Segment profile: Mobile listeners

On-the-go listeners who highly value control

Demographics:

- Age: ~33 years old
- Gender: 52% male; 48% female

<u>Experience</u>

- Average level of listening, but highly lean-forward, and primarily via portable devices
- Most control-oriented segment
- Highest iTunes usage
- Value technology highly ("Technology makes my day-to-day life better")

<u>Acquisition</u>

- Second highest spending segment, paying for 67% of music acquisitions
- Large collections with ~3.7K tracks

<u>Discovery</u>

- Though traditional platforms are important for discovery to most of this group, 25% of this segment discover music frequently via social media

Segment profile: Multi-platform enthusiasts

Younger, trend-setting music-obsessed listeners

Demographics:

- Age: ~35 years old
- Gender: 60% male; 40% female

Experience

- Most highly engaged segment ("I have to be the first to know about popular music")
- Significant amount of lean-forward listening augmented by high-levels of lean-back listening to drive an insatiable need to discover music
- Highly digitally-oriented (>80% in digital format)

Acquisition

- Proud of their music collections (~4K tracks) but continue to add to those collections at the highest rate among segments
- Acquires more music without payment than other predominantly paying segments

Discovery

- Though traditional platforms are important for discovery to this group, 20% of them frequently discover music via social media

Segment profile: Self-Proclaimed Pirates

Non-purchasers who represent a cross section of all control behaviors

Demographics:

- Age: ~33 years old
- Gender: 59% male; 41% female

Experience

- Represent a cross-section of experience/control behaviors, but most closely mimic digitals
- Average level of listening per week
- Decidedly lean-forward, primarily engaging in a variety of digital platforms
- Highly technologically-oriented group ("I am the first to know about new technology")

Acquisition

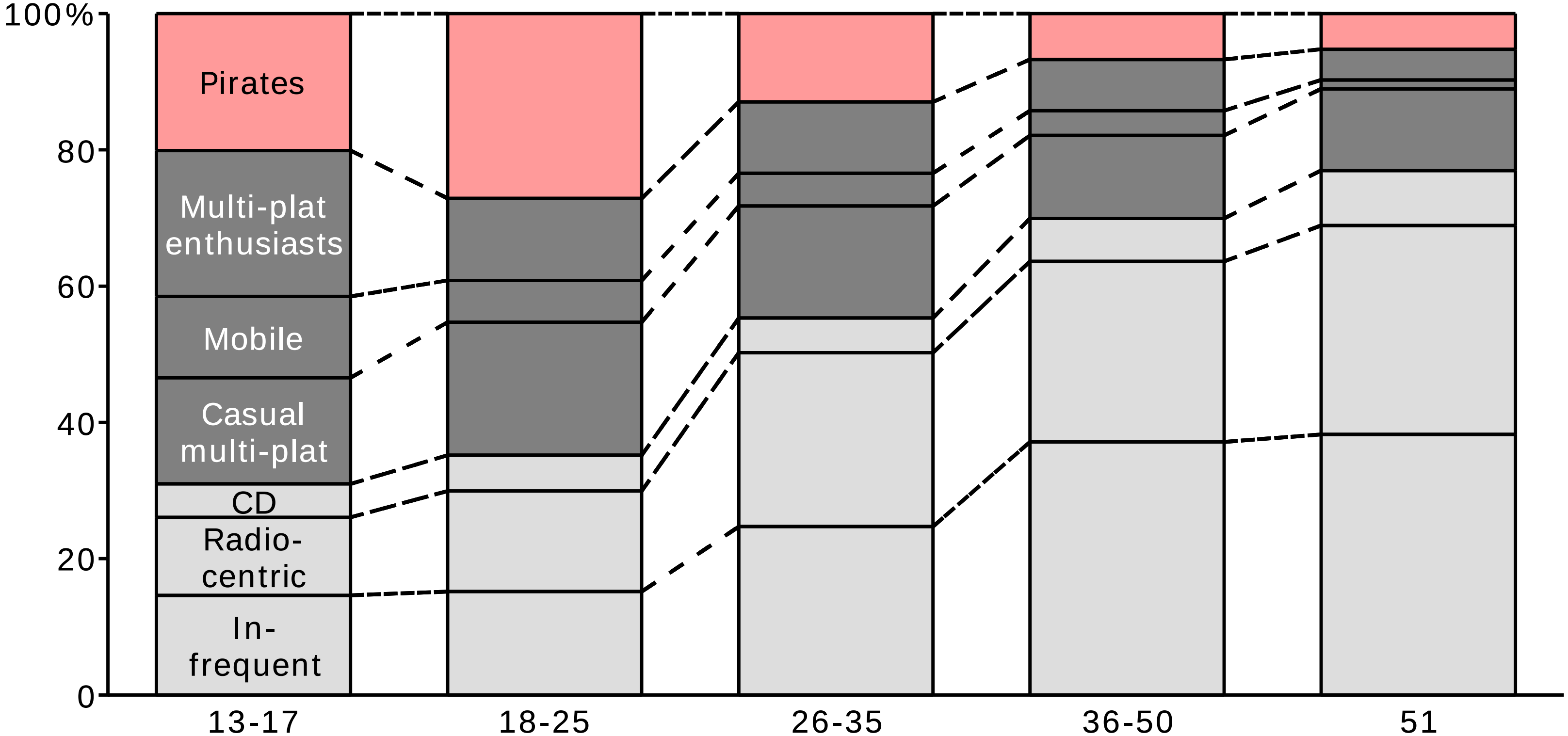
- Pay for a small portion of music acquisitions, but they still spend some money annually
- Relatively large collection (~3.1K tracks)

Discovery

- Tend to drive high discovery for others ("others always want my advice on music")
- 30% of this segment frequently discover music via new media platforms

Segmentation varies widely by age

Segment breakdown by age group



Core music consumers*	52%	41%	29%	22%	17%
% digital**	90%	87%	82%	71%	54%

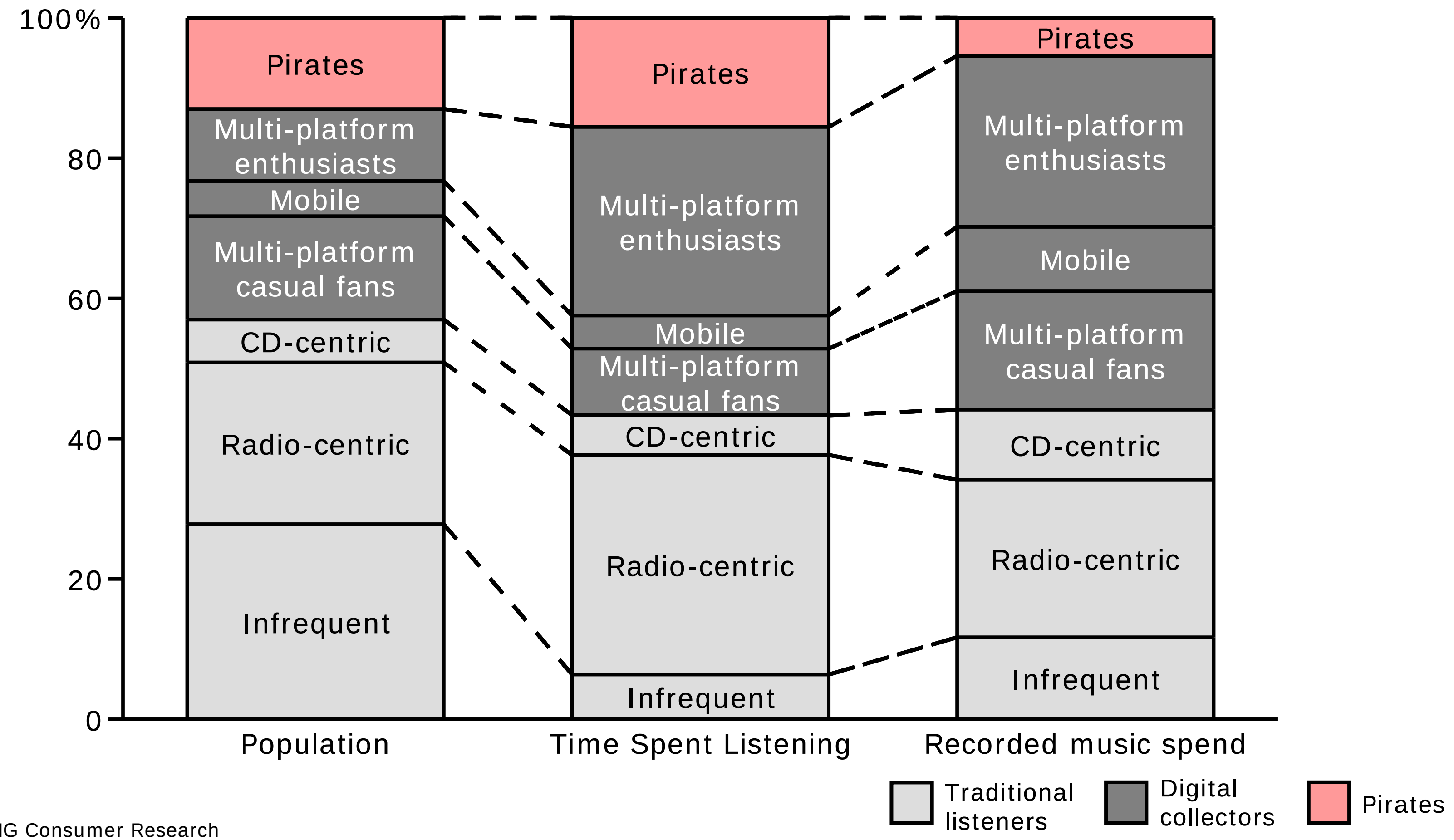
Source: WMG Consumer Research

* Core Music Consumers: CD-centric, mobile, multi-platform enthusiasts, and 2/3 of self-proclaimed pirates

** Share of core music consumers who are digital

Time spent listening vs. Music spend by segment

Total population, time spent listening and annual spend by segment



Source: WMG Consumer Research

Agenda

- Music Customer Segmentation
  - Seven consumer segments
  - Segment breakdown by age group
  - Time spend listening vs. music spend by segments

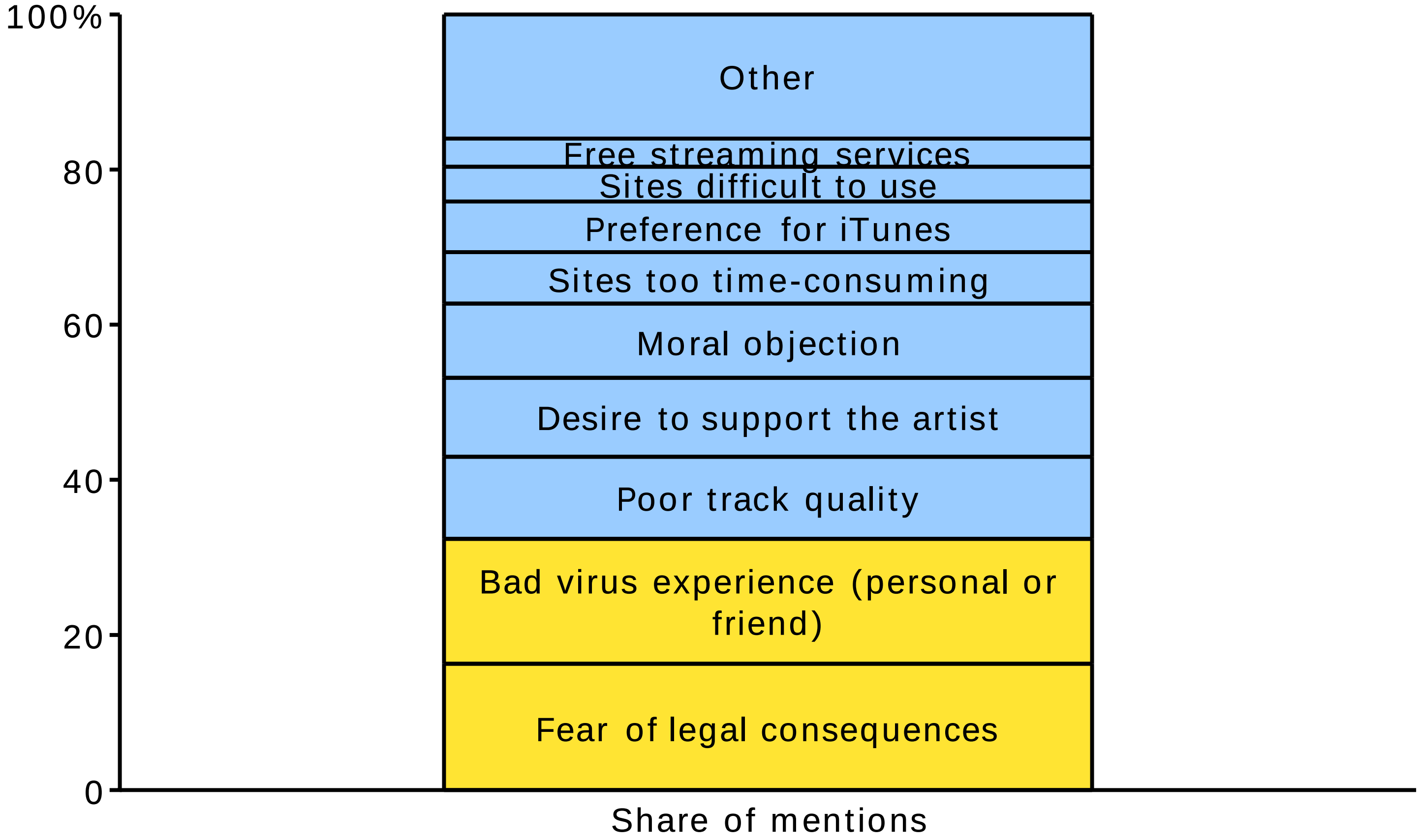
- Consumer Insights
  - Why consumers discontinue P2P use
  - Why consumers pay for music

- Product Strategy to Encourage Purchases

- Final Thoughts & Discussion

Fear of legal consequences and viruses top reasons for discontinued P2P use

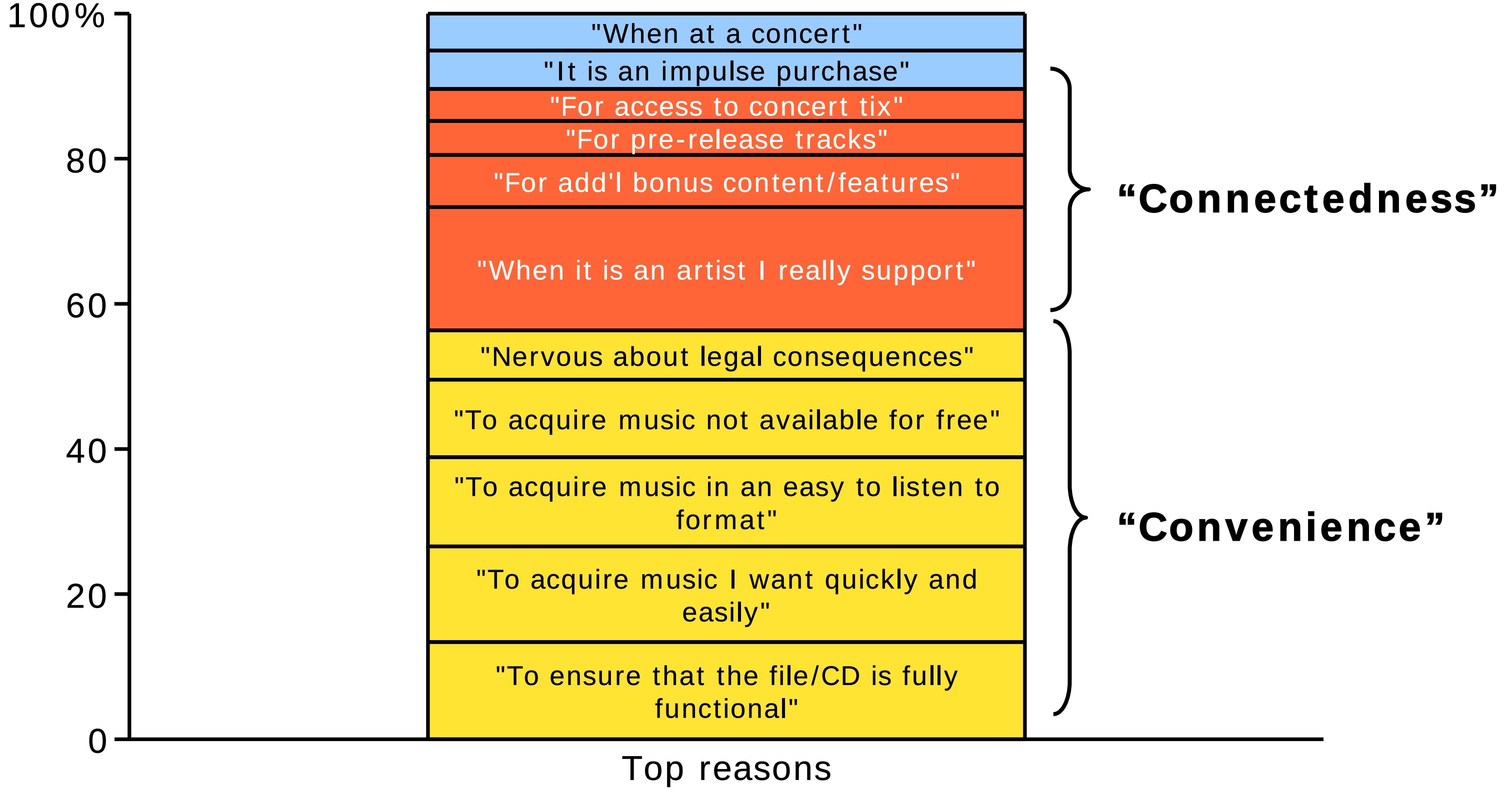
Top reasons for discontinuing P2P use



Source: WMG Consumer Research

Why people pay to acquire music?

ACQUISITION



Source: WMG Consumer Research

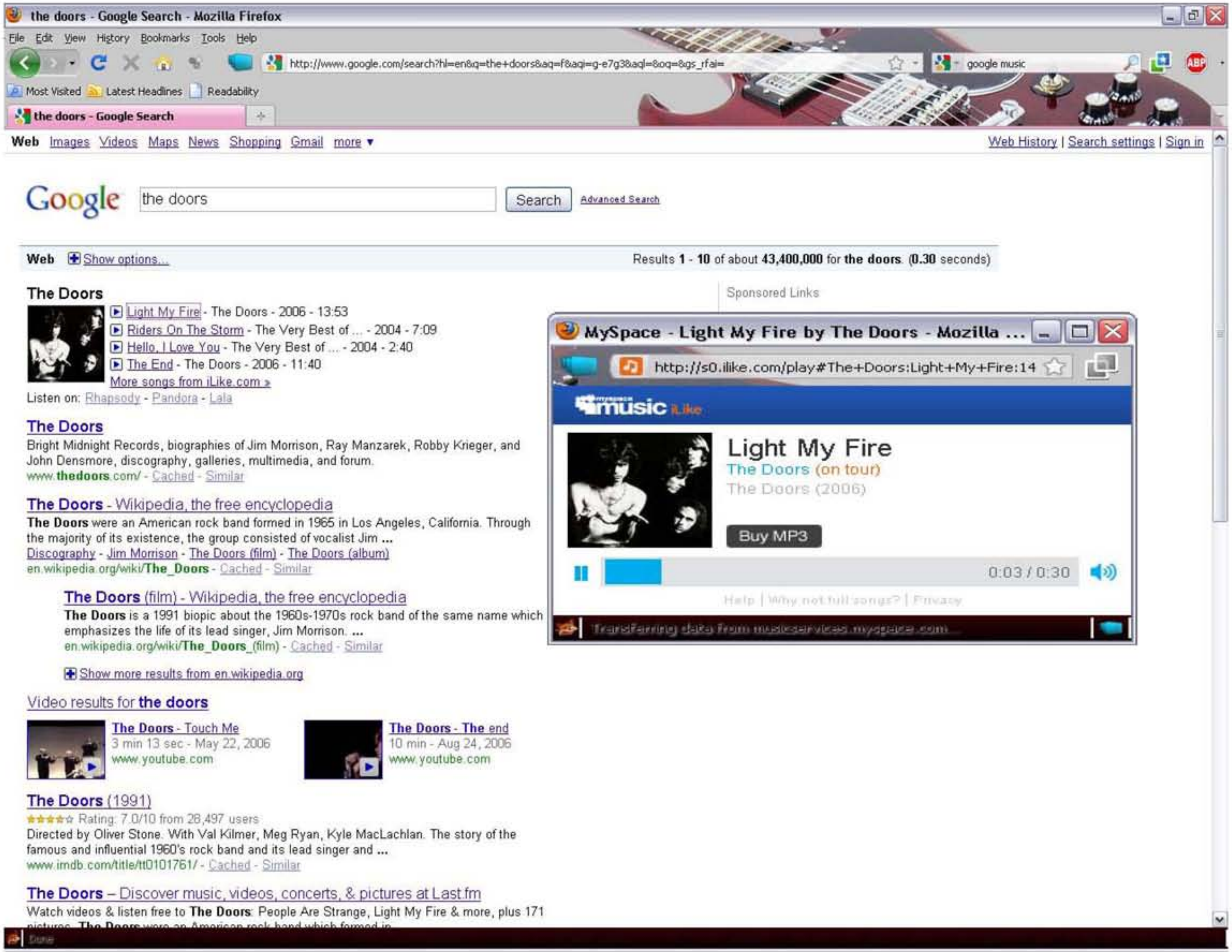
Agenda

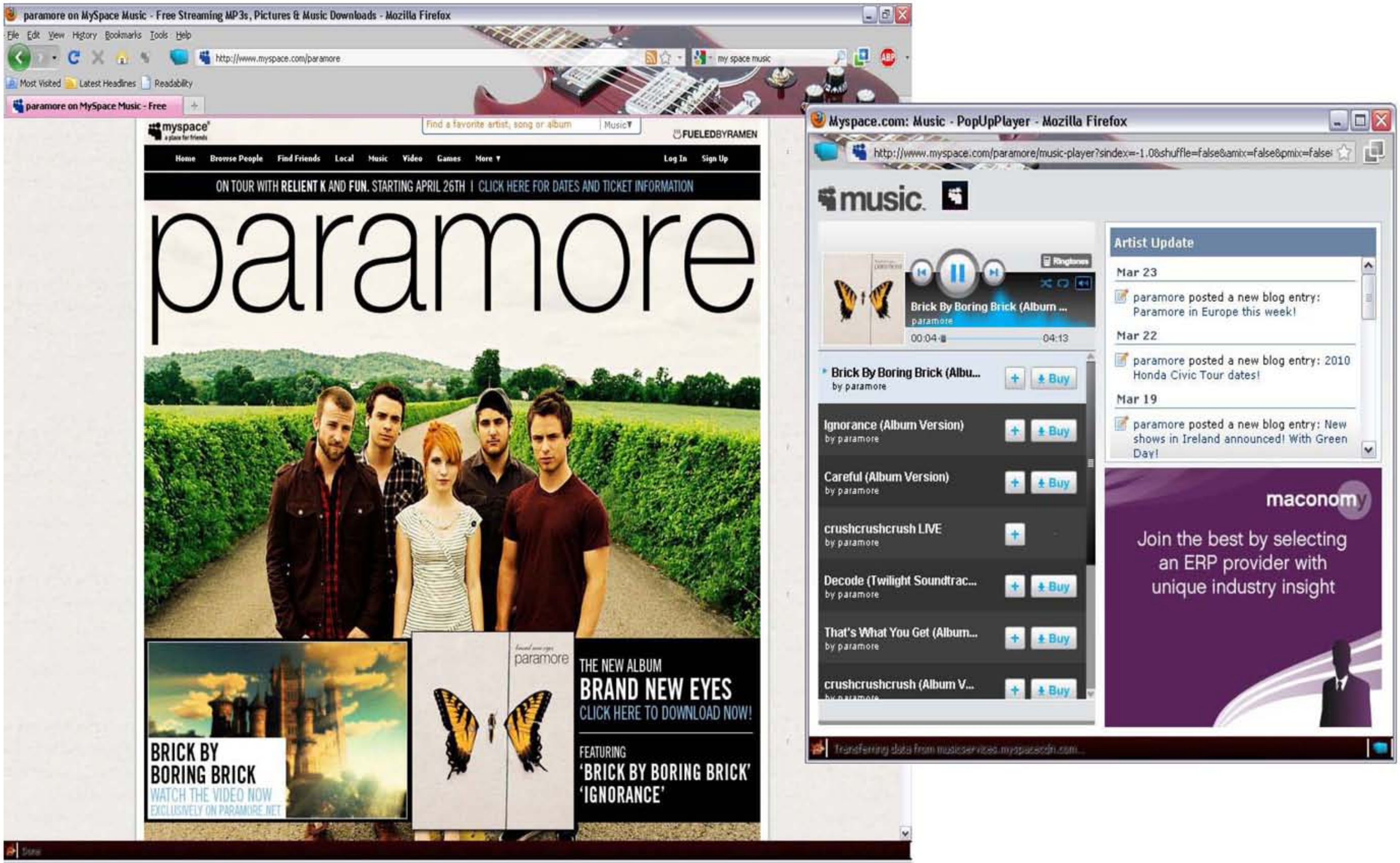
- Music Customer Segmentation
  - Seven consumer segments
  - Segment breakdown by age group
  - Time spend listening vs. music spend by segments

- Consumer Insights
  - Why consumers discontinue P2P use
  - Why consumers pay for music

- Product Strategy to Encourage Purchases

- Final Thoughts & Discussion


the doors - Google Search - Mozilla Firefox
File Edit View History Bookmarks Tools Help
Most Visited Latest Headlines Readability
the doors - Google Search
Web Images Videos Maps News Shopping Gmail more
Web History | Search settings | Sign in
Google
the doors
Search
Advanced Search
Web Show options...
Results 1 - 10 of about 43,400,000 for the doors. (0.30 seconds)
The Doors
Light My Fire - The Doors - 2006 - 13:53
Riders On The Storm - The Very Best of ... - 2004 - 7:09
Hello, I Love You - The Very Best of ... - 2004 - 2:40
The End - The Doors - 2006 - 11:40
More songs from iLike.com »
Listen on: Rhapsody - Pandora - Lala
The Doors
Bright Midnight Records, biographies of Jim Morrison, Ray Manzarek, Robby Krieger, and John Densmore, discography, galleries, multimedia, and forum.
www.thedoors.com/ - Cached - Similar
The Doors - Wikipedia, the free encyclopedia
The Doors were an American rock band formed in 1965 in Los Angeles, California. Through the majority of its existence, the group consisted of vocalist Jim ...
Discography - Jim Morrison - The Doors (film) - The Doors (album)
en.wikipedia.org/wiki/The_Doors - Cached - Similar
The Doors (film) - Wikipedia, the free encyclopedia
The Doors is a 1991 biopic about the 1960s-1970s rock band of the same name which emphasizes the life of its lead singer, Jim Morrison. ...
en.wikipedia.org/wiki/The_Doors_(film) - Cached - Similar
Show more results from en.wikipedia.org
Video results for the doors
The Doors - Touch Me
3 min 13 sec - May 22, 2006
www.youtube.com
The Doors - The end
10 min - Aug 24, 2006
www.youtube.com
The Doors (1991)
Rating: 7.0/10 from 28,497 users
Directed by Oliver Stone. With Val Kilmer, Meg Ryan, Kyle MacLachlan. The story of the famous and influential 1960's rock band and its lead singer and ...
www.imdb.com/title/tt0101761/ - Cached - Similar
The Doors – Discover music, videos, concerts, & pictures at Last.fm
Watch videos & listen free to The Doors: People Are Strange, Light My Fire & more, plus 171
Sponsored Links
MySpace - Light My Fire by The Doors - Mozilla ...
http://s0.ilike.com/play#The+Doors:Light+My+Fire:14
music
Light My Fire
The Doors (on tour)
The Doors (2006)
Buy MP3
0:03 / 0:30


paramore on MySpace Music - Free Streaming MP3s, Pictures & Music Downloads - Mozilla Firefox
http://www.myspace.com/paramore
Home Browse People Find Friends Local Music Video Games More
Log In Sign Up
ON TOUR WITH RELIENT K AND FUN. STARTING APRIL 26TH | CLICK HERE FOR DATES AND TICKET INFORMATION
paramore
BRICK BY BORING BRICK
WATCH THE VIDEO NOW
THE NEW ALBUM
BRAND NEW EYES
CLICK HERE TO DOWNLOAD NOW!
FEATURING
'BRICK BY BORING BRICK'
'IGNORANCE'
Myspace.com: Music - PopUpPlayer - Mozilla Firefox
music
Artist Update
Mar 23
paramore posted a new blog entry: Paramore in Europe this week!
Mar 22
paramore posted a new blog entry: 2010 Honda Civic Tour dates!
Mar 19
paramore posted a new blog entry: New shows in Ireland announced! With Green Day!
Brick By Boring Brick (Album ...
00:04
04:13
Brick By Boring Brick (Albu...
Ignorance (Album Version)
Careful (Album Version)
crushcrushcrush LIVE
Decode (Twilight Soundtrac...
That's What You Get (Album...
crushcrushcrush (Album V...
maconomy
Join the best by selecting an ERP provider with unique industry insight

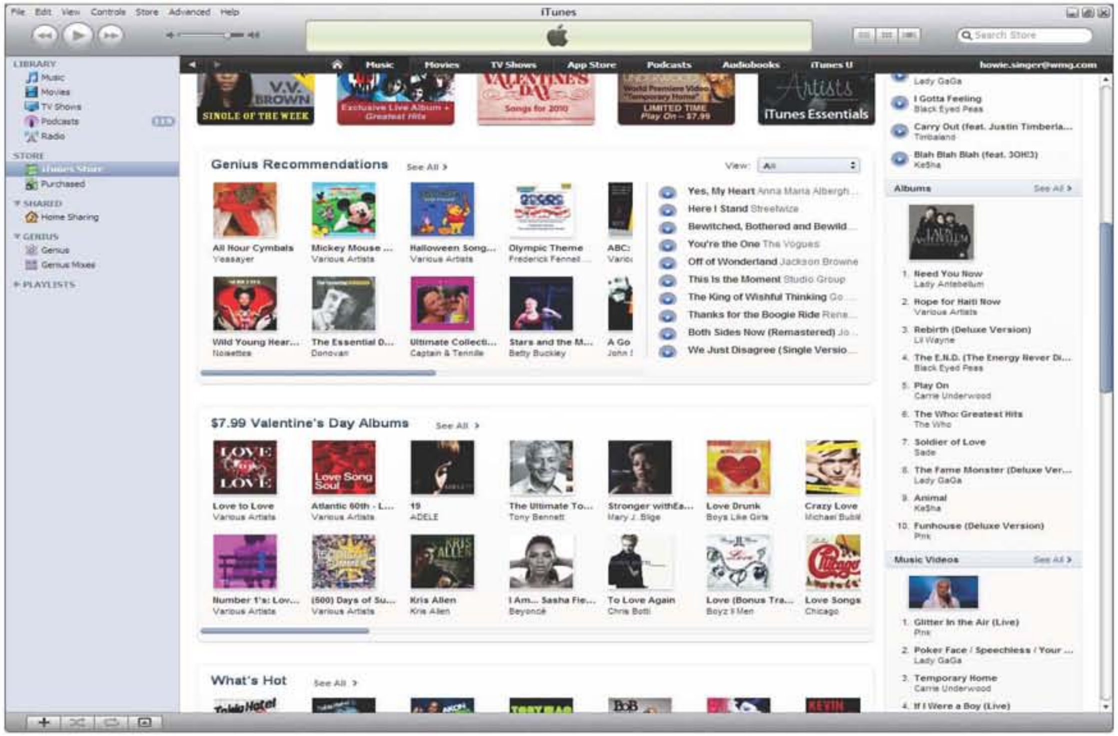
Connection: Direct to fan pre-sale

Pre-Order Configurations:

- **$24.99: Digital Only**
- **$32.99: Standard CD**
- **$124.99: Vinyl + Litho**
- **$179.99: Coffin Box**
- **All versions included access to pre-order site, free shipping, and 320kbs digital delivery on night of release**

Pre-order site content:

- **350 minutes of exclusive video footage**
  Free digital single downloads
  10 preview riffs
- **1 free ringtone**
- **“Making of the record” footage**
- **Tour pre-sale**
- **Listening party premier**


Genius Recommendations
$7.99 Valentine's Day Albums
What's Hot


Albums
See All >
1. Need You Now
Lady Antebellum
2. Hope for Haiti Now
Various Artists
3. Rebirth (Deluxe Version)
Lil Wayne
Deluxe
4. The E.N.D. (The Energy Never Di...
Black Eyed Peas
5. Play On
Carrie Underwood
6. The Who: Greatest Hits
The Who
7. Soldier of Love
Sade
8. The Fame Monster (Deluxe Ver...
Lady GaGa
Deluxe
9. Animal
KeSha
10. Funhouse (Deluxe Version)
P!nk
Deluxe

Connection: The Connected Media Experience

Objective: To offer compelling experiences by developing a new open standard in digital media packaging

Connected Media Experience...

- Is a digital package format and supporting back-end services
- Is a collection of files, such as MP3 audio files, JPG images, and more
- Can include online assets and updates that are available to registered users.
- Is intended for computers, phones, portable devices, set-top boxes, and more
- Can include User generated content and will work for indie labels and garage bands
- Is intended for all media types but will be implemented for music content initially
- Is an open standard: www.connectedmediaexperience.org

Agenda

- Music Customer Segmentation
  - Seven consumer segments
  - Segment breakdown by age group
  - Time spend listening vs. music spend by segments

- Consumer Insights
  - Why consumers discontinue P2P use
  - Why consumers pay for music

- Product Strategy to Encourage Purchases

- Final Thoughts & Discussion

Final Thoughts & Discussion

- Understanding music consumers shows many consumers will buy music when
  - It is convenient
  - They are provided real value
  - The purchase fosters their connection to the artist
- But the unfettered availability of unauthorized services remains an impediment to the legitimate market